



Michael O. Leavitt  
Governor

Scott Hirschi  
Director

# State of Utah

*School and Institutional*  
**Trust Lands Administration**

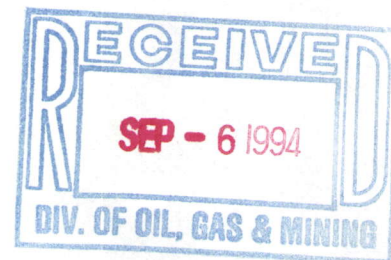
355 West North Temple  
3 Triad Center, Suite 400  
Salt Lake City, UT 84180-1204  
801-538-5508  
801-355-0922 (fax)

5/025/006

August 31, 1994

CERTIFIED MAIL NO. P 879 605 323

Mark Johnson  
3140 North 2000 West  
Delta, UT 84624



RE: ML 19890, ML 27966 & ML 41355--Gemstone/Fossil

Dear Mr. Johnson:

You are hereby advised as the Lessee that you are in breach of the terms and conditions of the above numbered leases:

1. Article III of the leases requires Lessee to comply with the Utah Mined Land Reclamation Act. Violation exists of the Mine Enlargement requirements of the Utah Mined Land Reclamation Act as per the August 24th notice from the Utah Division of Oil, Gas & Mining. Lessee must make remedy by immediately contacting the Utah Division of Oil, Gas & Mining (801-538-5291) and gaining compliance with their requirements. You may obtain the necessary DOGM notification forms from that agency.
2. Article XII of the leases requires Lessee to submit a plan of operation to the Lessor at least 60 days prior to commencing any mining operations upon the leasehold. Lessee is not operating in accordance with an approved plan of operation for the leaseholds. Lessee must make remedy by immediately submitting to Lessor a plan of operations and detailed maps of all existing and proposed surface disturbances upon the leaseholds. For your convenience I am enclosing the notice of intent form required by this office.
3. Article VI of the leases requires Lessee to monthly submit a production statement and royalty payment of 10% of the gross value of the gemstone mined or extracted from the leasehold. Although mining is occurring from the properties, Lessee has not recently submitted production reports or royalty payment. Lessee must make remedy by immediately submitting production reports and royalty payment for all gemstone which Lessee has mined from the properties. A late payment of 10%, compounded semi-annually, is required upon the overdue royalty amounts. I am enclosing a production and royalty reporting form for your convenience.

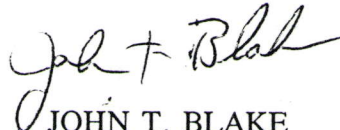
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Article XII of the leases provides that upon request of the Lessor the Lessee shall furnish a bond in an amount to be determined by the Lessor, conditioned upon compliance with the terms and conditions of the leases including payment of all rentals and royalties. Notwithstanding any bonds previously in effect, Lessee is hereby requested to immediately furnish a surety bond, using the enclosed Bond of Lessee form, in the amount of \$25,000 for the above numbered leases. The corporate surety must be licensed to do business in Utah. In lieu of a surety bond, Lessee may submit a short term (one year) renewable time CD issued by a Utah bank in the joint ownership of Mark Johnson or Utah Trust Lands Administration.

Failure to remedy all of the above-described breaches within the next 30 days may result in Lessee's forfeiture of the leases pursuant to Article XIX. Lessee's failure to furnish the requested bond within the next 30 days may also result in Lessee's forfeiture of the leases.

Please contact me if you have any questions. Thank you for your cooperation in resolving these matters.

Sincerely,



JOHN T. BLAKE  
MINERAL RESOURCES SPECIALIST

JTB/tdw

cc: Travis Jones, DOGM  
Lisa Schneider, Royalty Mgr.